

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BUCHAREST

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E.O. 11652:N/A

TAGS: ETRN, RO

SUBJECT: CIVAIR: EXEMPTION FROM CUSTOMS DUTIES AND TAXES

REF: A) BUCHAREST 2629, B) STATE 130038

1. WILL AWAIT RESULTS TAROM CONSULTATIONS WITH ITS LEGAL STAFF AND MINISTRY OF FINANCE.

2. CONCERNING ROMANIAN PREOCCUPATION WITH FUEL PRICES IN NEW YORK, DOMESTIC FUEL PRICING IS REGULATED BY FEDERAL ENERGY OFFICE WHICH USES COMPLEX METHODOLOGY BASED ON ACTUAL CRUDE AND PRODUCT COSTS. BONDED FUEL PRICES ARE UNREGULATED AND SINCE BEGINNING ENERGY CRISIS THEREFORE HAVE GENERALLY BEEN HIGHER IN PRICE DESPITE CUSTOMS DUTY AND TAX COMPONENT OF DOMESTIC FUELS. HOWEVER, FOREIGN CARRIERS NOW HAVE ACCESS TO DOMESTIC FUEL SUPPLIES IN CASES WHERE THEY CAN DEMONSTRATE BONDED FUELS MORE EXPEN-
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SIVE WITH RESULT THAT PRICES OF BOTH TYPES HAVE TENDED TO

TRACK CLOSER TOGETHER RECENTLY.

3. IN ANY EVENT, QUESTION OF AVIATION FUEL PRICES IN NEW YORK IS IRRELEVANT TO PRESENT CASE SINCE PRICES DETERMINED BY MARKET FORCES AND ALL USERS HAVE FAIR AND EQUAL ACCESS TO SUPPLIES. WHETHER AVIATION FUEL PRICES IN NEW YORK ARE HIGHER THAN IN BUCHAREST OR NOT, ROMANIAN OFFICIALS SHOULD NOT INFER AN INTENT TO DISCRIMINATE AGAINST TAROM FROM EXISTENCE OF FUEL PRICE DIFFERENTIAL BETWEEN THE TWO CITIES.

ROMANIANS SHOULD BE AWARE THAT US FUEL PRICES ARE NOT RPT NOT A FUNCTION OF US TAXES BUT RATHER OF ACTUAL CRUDE AND PRODUCT COSTS AND FURTHER THAT FEDERAL AVIATION OFFICE WHICH ADMINISTERS FUEL PRICING AND ALLOCATION DOES SO ON A NON-DISCRIMINATORY BASIS TO FOREIGN AND US CARRIERS. ON OTHER HAND, US WOULD HAVE TO VIEW ANY ROMANIAN ATTEMPT TO ELIMINATE PRICE DIFFERENTIAL BY RAISING FUEL PRICES IN BUCHAREST THEREBY APPLYING PRICES TO US CARRIERS HIGHER THAN AND DIFFERENT FROM THOSE APPLIED TO OTHER CARRIERS AS VIOLATION OF ARTICLE IX CIVAIR BILATERAL AND CONTRARY TO CONCEPT OF RECIPROCITY, DETERMINATION OF WHICH IS PRE-REQUISITE TO TAROM'S OBTAINING AND KEEPING EXEMPTION FROM US CUSTOMS DUTIES AND INTERNAL REVENUE TAXES.

4. THEREFORE, IT WOULD BE HELPFUL FOR EMBASSY TO OBTAIN EXPLICIT ROMANIAN COMMITMENT THAT FUEL RATE CHARGED US CARRIERS WILL BE IDENTICAL TO TAX-FREE RATE PAID BY TAROM IF ROMANIANS DO NOT MAKE SUCH COMMITMENT THEMSELVES IN COURSE OF PROVIDING INFORMATION REQUESTED REF B. OBTAINING THIS COMMITMENT SHOULD NOT BE DIFFICULT SINCE PAN AM REPORTS IT RECEIVED FAVORABLE TREATMENT WHEN IT OPERATED INTO BUCHAREST IN PAST. EMBASSY MAY AT ITS DISCRETION DRAW UPON PARAS 2 & 3 IN ITS CONTACTS WITH ROMANIANS. KISSINGER

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